

P. JORDAN



Comptroller General  
of the United States

Washington, D.C. 20548

## Decision

**Matter of:** TRW Inc.

**File:** B-234558.2

**Date:** December 18, 1989

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### DIGEST

1. Decision to award on the basis of the lower-cost, lower-rated technical proposal was reasonable where source selection authority made a detailed evaluation of the relative strengths and weaknesses of the proposals, setting forth his reasons for disagreeing with the technical evaluation team, which reasonably supports his conclusion that protester's superior technical proposal did not justify award at its significantly higher cost.
2. Protester's disagreement with source selection authority's evaluation conclusions that awardee had met all solicitation requirements with regard to personnel experience, availability, and security clearance, does not establish that selection authority's evaluation was unreasonable.
3. Agency's decision to award contract to offeror whose proposal includes items rated marginally acceptable does not constitute waiver of solicitation requirements where agency made a reasonable cost/technical tradeoff determination that protester's higher-rated items did not justify its significantly higher cost.

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### DECISION

In TRW, Inc., 68 Comp. Gen. 511 (1989) 89-1 CPD ¶ 584, we sustained TRW's protest of the award of a contract to GTE, Government Systems Corporation, under request for proposals (RFP) No. F01620-88-R-0002, issued by the Air Force for a combination cost-plus and firm-fixed-price contract to modernize software and provide hardware necessary to support modernization for the Air Force Command and Control Systems (AFC2S). TRW now challenges the Air Force's implementation of our recommendation in that decision, contending particularly that the agency has not presented a

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reasonable basis, consistent with the RFP evaluation factors, for the award to GTE.

We believe the Air Force has provided a reasonable justification for its award.

In its earlier protest, TRW contended that the Air Force improperly used cost as the predominant source selection factor, since cost was secondary to technical considerations under the RFP. The Air Force had evaluated the technical and cost proposals of GTE, TRW, and two other concerns, and had conducted three formal rounds of discussions before obtaining best and final offers (BAFOs) from each. The Air Force evaluated TRW's BAFO as highest technically, with low overall risk at a most probable cost of \$444,043,200, while GTE was rated lowest technically, with high risk, at a most probable cost of \$259,168,400.<sup>1/</sup> After receiving a number of briefings on the evaluation by the source selection evaluation team and other advisory officials, the source selection authority selected GTE for award. In determining to award to GTE, the source selection authority stated he had made an "integrated assessment" which considered technical risks and costs. However, we noted he had only listed the GTE strengths without accounting for the various weaknesses. We sustained TRW's protest because the record did not provide any assurance that award had been made to GTE consistent with the RFP award criteria which made technical considerations primary. TRW, Inc., supra.

We recommended that the Air Force conduct and document a cost/technical tradeoff to determine whether TRW's technical superiority was insufficient to justify the cost premium of accepting its offer, and whether an award to GTE in the face of its low technical scores and high risk was justified. In response to our recommendation, the Air Force selection authority reviewed the source selection decision and, in a decision document, concluded that the technically superior TRW proposal did not justify its higher cost. TRW protests virtually every aspect of the source selection authority's decision, but focuses on the selection authority's allegedly defective evaluation of GTE's ability to meet various

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<sup>1/</sup> In accordance with the RFP, cost realism was evaluated by comparing proposed costs with the government's independent cost estimate as well as by development of most probable cost estimates. These estimates were based upon the risks identified during the evaluation of each proposal, with disposition of offeror deficiencies considered to calculate the most probable cost.

requirements of the RFP with regard to personnel and technical matters, and the Air Force's alleged intent to waive those requirements.

In a negotiated procurement, the contracting agency's selection officials have broad discretion in determining the manner and extent to which they will make use of the technical and cost evaluation results. DLI Eng'g Corp., B-218335, June 28, 1985, 85-1 CPD ¶ 742 aff'd, DLI Eng'g Corp.--Reconsideration, B-218335.2 et al., Oct. 28, 1985, 85-2 CPD ¶ 468. Cost/technical tradeoffs may be made, and the extent to which one may be sacrificed for the other is governed only by the tests of rationality and consistency with the established evaluation criteria. Id. Further, an agency may award to a lower-priced, lower-rated offeror if it determines that the cost premium involved in awarding to a higher-rated, higher-priced offeror is not justified given the acceptable level of technical competence at the lower cost. Dayton T. Brown, B-229664, Mar. 30, 1988, 88-1 CPD ¶ 321.

We have also found that a source selection authority is not bound by either the ratings or the recommendations of the source evaluation team. Associations for the Educ. of the Deaf, Inc., B-220868, Mar. 5, 1986, 86-1 CPD ¶ 220. The selection authority is responsible to determine if, in fact, technical rating advantages are worth the cost that might be associated with a higher-scored proposal. Barron Builders and Management Co., B-225803, June 30, 1987, 87-1 CPD ¶ 645. The judgment of the selection authority concerning the significance of the difference in technical merit of the proposals will be afforded great weight by our office. Scheduled Airlines Traffic Offices, Inc., B-229883, Mar. 29, 1988, 88-1 CPD ¶ 317.

Here, the selection authority reviewed and discussed the findings of the evaluation team with regard to all eight technical sub-factors contained in the RFP and, on balance, determined that GTE's proposal provided the best overall value to the government. He also addressed the various strengths and weaknesses of all offerors and set forth the reasons why he found that the relative strengths of TRW and the relative weaknesses of GTE were less significant than the evaluation team believed.

With regard to the most important evaluation criterion, "management approach," the selection authority noted that both TRW and GTE were rated as acceptable, and he believed

that GTE's proposed "Hyper Teams"<sup>2/</sup> of personnel from GTE and its subcontractors were more advantageous than TRW's proposal to have complete tasks performed by itself or by a single subcontractor. This arrangement, coupled with GTE's proposal to perform software development at the user facilities, served to mitigate GTE's high risk ratings. He also found GTE's marginally acceptable hardware items to be easily correctable at a relatively small cost increase.

Although GTE's prices were judged unrealistic and a high risk by the evaluation team, the selection authority expressly disagreed with the team's conclusion that correction of GTE's deficiencies would likely make its costs "at least as expensive as the other offerors." The selection authority assessed GTE's various cost risks as "manageable" and found that GTE's offer provided significant cost savings even after GTE's proposed costs were increased to reflect the government's most probable cost estimates.

In conclusion, the selection authority found that GTE's experience as a contractor, combined with the Air Force's continuing oversight and authority to review GTE's progress and approach, provided the government with sufficient opportunity to mitigate any remaining weakness or risk in GTE's proposal and to assure acceptable performance. Under these circumstances, the selection authority concluded that the value of TRW's technically superior proposal was not worth the additional costs. Based upon our review of the selection authority's cost/technical tradeoff, we find his decision to select GTE over TRW both rational and consistent with the evaluation criteria.

TRW contends that the selection authority's decision was defective because he did not ensure that GTE had met all RFP requirements concerning personnel experience, labor rates, availability, and security clearance. These contentions are based on the Air Force's alleged faulty evaluation of GTE's

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<sup>2/</sup> TRW challenges the selection authority's reliance on these "Hyper Teams" as being a "unique approach." In TRW's view, GTE's approach merely proposes the same use of teams as was proposed by the other offerors and notes that the selection authority found that some of the team personnel had weak qualifications. We disagree. Even if the "Hyper Teams" are not unique, they do represent a different approach than TRW's, and were rationally perceived as an advantage, despite the inclusion of some weaker members. TRW's mere disagreement with the selection authority's judgment does not make it unreasonable. See Unisys Corp., B-232634, Jan. 25, 1989, 89-1 CPD ¶ 75.

BAFO in which it changed its management approach by shifting its software development tasks from its corporate facilities in Massachusetts to a distributed approach at Montgomery, Alabama, location of the AFC2S Program Management Office, and the user command locations.

TRW first argues that the selection authority waived the RFP requirement that offerors' proposed staffs be evaluated against certain identified minimum qualifications for technical knowledge, skills, practical/demonstrated experience, and educational background. When GTE changed its management approach, it planned to use "new hires," but did not change its proposed personnel or resumes. Consequently, the evaluation team found the change to introduce a "high risk that few of the individuals proposed would actually be assigned to the AFC2S program," and rated the proposal accordingly. The selection authority also observed that the evaluation team "could not match [GTE's] proposed 'new hires' to the resumes." The selection authority acknowledged GTE's "high risk," ratings, but determined that GTE's distributed approach represented a strong point in spite of the ratings, because it had the advantage of user involvement which would benefit the overall success of the program. Further, the inability to "match" resumes does not indicate a failure to evaluate, or that the proposal was unacceptable. Under the terms of the RFP, offerors were not required to propose committed personnel for each position. In fact, positions could be identified as "vacant," to be filled on contract award, and resumes could indicate personnel as "committed," "planned," or "representative." Under these circumstances, we do not find TRW's disagreement with the selection authority's evaluation as establishing that the evaluation was unreasonable. See Unisys Corp., B-232634, supra.

TRW next contends that the selection authority's salary analysis regarding GTE's proposed labor rates was superficial and defective. GTE's use of "new hires" resulted in a reduction in its labor rates which the cost team evaluated as "unrealistic" due to its assessment that the "new hires" would be less experienced and take longer to perform than the personnel reflected in the resumes. In his analysis, the selection authority relied on a comparison of composite labor rates and the addition of 50 percent and 25 percent more hours, respectively, to the first two contract years, to compensate for the lesser experience of GTE's "new hires." TRW argues that these Air Force estimates were not part of a "formal" analysis, and that the agency should have used a recognized cost estimating model which would have revealed, according to TRW, that GTE's "new hires" would require significantly more hours than those estimated by the

Air Force and, thus, higher costs. The evaluation of competing cost proposals requires the exercise of informed judgment by the agency since it is in the best position to assess realism of costs and technical approaches and must bear the major criticism for difficulty or expense resulting from defective cost analysis. Consequently, our review is limited to a determination of whether the agency's cost evaluation was reasonably based and not arbitrary. Pan Am World Servs., Inc., et al., B-231840 et al., Nov. 7, 1988, 88-2 CPD ¶ 446.

We have reviewed the Air Force's salary analysis and find it reasonable. The analysis found that both GTE and TRW applied comparable decrement factors, derived from publicly available surveys of labor rates, to their established corporate rates to proposed rates for work in Montgomery. A comparison of composite rates for Montgomery and other locations for all offerors revealed comparable, although not identical rates among the offerors. Thus, we believe the Air Force rationally concluded that GTE's proposed rates were reasonable. Further, inasmuch as labor costs for each offeror were calculated by multiplying proposed rates by a government estimate of hours, we find the Air Force reasonably decided to add hours to GTE's proposal for cost evaluation purposes. The Air Force's knowledge of the requirement and GTE's proposal led it to an informed business judgment of an appropriate number of hours to add, and we do not agree with TRW's belief that a lack of "formality" denigrated that judgment or analysis. Likewise, TRW's assessment that a different cost model would produce a different result amounts to mere disagreement with the evaluation. See Unisys Corp., B-232634, supra. Further, an agency is not required to conduct an in-depth analysis to verify each and every item in conducting its cost realism analysis. Carrier Joint Venture, B-233702, Mar. 13, 1989, 89-1 CPD ¶ 268.3/

In a related criticism of the evaluation, TRW alleges that the selection authority failed to take into account how few qualified persons are available in the Montgomery area to perform the contract. In support, TRW has furnished our Office with a labor survey conducted by one of its sub-contractors which states that there is a limited avail-

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3/ TRW also contends that the Air Force's salary analysis was insufficient when compared with that performed in Pan Am World Servs., Inc., et al., B-231840 et al., supra. Since in Pan Am, we simply found the analysis to be reasonable, not an exclusive model to be followed in all procurements, TRW's contention is without merit.

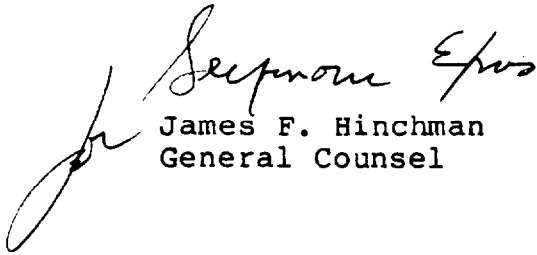
ability of potential employees in Montgomery who meet the RFP's experience requirements. While there may be few experienced potential employees in Montgomery itself, GTE did not propose to use only people from the Montgomery area to perform its contract. It simply proposed to perform software development tasks in Montgomery at prevailing lower labor rates. GTE explains that it planned to and has hired experienced employees at those rates from other southeastern states, in addition to its specifically proposed employees, and has had no trouble meeting its labor needs to successfully perform the contract. Thus, we do not agree that any failure of the selection authority to analyze actual availability of experienced personnel in Montgomery makes his evaluation defective.

TRW also alleges that the selection authority failed to analyze performance problems associated with the probable lack of top secret security clearances by GTE's new hires. TRW asserts that this security requirement will apply to more than 75 percent of the work force, while the Air Force estimates a much smaller percentage since the AFC2S program is similar to a prior program which required only 20 percent of the work force to have top secret clearance. We note that the RFP does not provide for the number of employees requiring top secret clearance. Instead, it requires such clearance for all personnel who code, test, or maintain applications programs and all who perform requirements analysis tasks. GTE proposed key personnel and other staff possessing the requisite clearance and otherwise proposed to meet the security requirements of the RFP. The Air Force was in the best position to know the extent of its security requirements, and was satisfied with GTE's proposal. Since GTE is currently performing the contract with properly cleared personnel and there is no evidence that it will be unable to meet security requirements in the future, we find nothing objectionable in the Air Force evaluation in this respect. See Telos Field Eng'g, B-233285, Mar. 6, 1989, 89-1 CPD ¶ 238.

Finally, TRW contends that the Air Force has waived certain requirements concerning GTE's proposed hardware and software in the areas of modernization support environment (MSE) and data base management environment (DBME). TRW bases its contention on the evaluation teams's assessment, and the selection authority's recognition, that GTE's proposal was weak in these areas and thus received marginally acceptable and high risk ratings. TRW also alleges that the selection authority's reliance on certain corrections for the technical weaknesses is misplaced, since actual corrections are likely to cost significantly more than anticipated by the Air Force.

The Air Force and GTE deny that any waiver has been made or sought with regard to the MSE and DBME hardware and software. In accordance with Section H-8 of the RFP, although GTE's proposal is incorporated into the contract, GTE is responsible for meeting all requirements in the statement of work even if its proposal fails to comply with those requirements. Further, the MSE and DBME items are fixed price line items and, under the contract, no payment will be made until GTE has successfully met the specifications. Thus, while GTE maintains that its proposed items are fully compliant with the RFP, in any event it appears that GTE, not the Air Force, will bear the cost risk of any noncompliance. Moreover, to the extent corrections may be necessary, the RFP evaluation scheme provided for consideration of the correction potential of perceived deficiencies. Accordingly, we find nothing improper in the Air Force's consideration of corrections which may be necessary and of costs associated with those corrections for evaluation purposes. The Air Force was entitled to and did weigh the risks attending GTE's identified weaknesses and determined that TRW's stronger proposal did not justify the significant cost difference between them.

In view of the above, we have no legal basis to object to the Air Force's award decision. This conclusion, however, does not affect that portion of our earlier decision in which we found TRW entitled to the reasonable costs of filing and pursuing its original protest. Bid Protest Regulations, 4 C.F.R. § 21.6(d)(1) (1989).



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